

Nebraska Department of Education
Education Support Services
School Finance & Organization Services

Tax Equity and Educational Opportunities Support Act Recertification of 2003-04 State Aid

This Document Contains:

**Part I.
Data Sources for the 2003-04 State Aid Calculations**

**Part II.
2003-04 Concept Summary**

**Part III.
Questions and Answers Related to the 2003-04 State Aid Calculation**

June 2003

Part I.

DATA SOURCES FOR THE 2003-04 STATE AID CALCULATIONS

NEEDS

Calculation based on: $[(\text{Adjusted Weighted Formula Students} \times \text{Cost Grouping Cost per Student}) + \text{Transportation Allowance} + \text{Special Receipts Allowance}] - \text{Temporary Aid Adjustment Factor}.$

FORMULA STUDENTS

Students educated by the district and students for which tuition is paid.

DATA SOURCES:

As defined for the June 15, 2003 Recertification of 2003-04 State Aid:

- ✓ Fall Membership in grades Kindergarten (KDG); Full-Day Kindergarten (FDK)-6, 7-8; and 9-12 from the 2002-03 School District Membership Report.
- ✓ The Fall Membership is adjusted based on the historical ratio of Average Daily Membership (ADM) to Fall Membership using the ratios from 1999-00, 2000-01, and 2001-02.
- ✓ Contracted Students in grades KDG; FDK-6; 7-8; and 9-12 are taken from the 2002-03 State Aid Supplement to the School District Membership Report, Section D.

As defined for the year-end recalculation of 2003-04 State Aid:

- ✓ Average Daily Membership (ADM) in grades KDG; FDK-6, 7-8, and 9-12 from the 2002-03 Annual Statistical Summary Report, Section A.
- ✓ Contracted Students from the 2002-03 State Aid Supplement to the School District Membership Report.

WEIGHTED FORMULA STUDENTS

Formula Students in each grade range multiplied by corresponding weighting factors.

The weighting factor for Kindergarten (KDG) is .5, for grades Full-Day Kindergarten (FDK)-6 is 1.0, for grades 7-8 is 1.2, and for grades 9-12 is 1.4.

The Weighted Formula Students of Class I districts that are affiliated with multiple high school districts are divided between local systems based on the percentage of the Class I district's adjusted valuation affiliated with each high school district.

ADJUSTED WEIGHTED FORMULA STUDENTS

Adjusted Weighted Formula Students = Weighted Formula Students + Demographic Factors.

Demographic Factors =

- Indian Land Factor
 - ◇ .25 X 2001-02 Local System Indian ADA = Indian Adjustment
- Limited English Proficiency
 - ◇ .25 X 2001-02 Local System LEP = LEP Adjustment
- Poverty Factor
 - ◇ Low Income Children = Children under 19 living in a household having annual adjusted gross income (AGI) of \$15,000 or less in 2001.
 - ◇ Free Lunch/Milk = Children qualified for free lunches or free milk based on October 2001 child nutrition program report.
 - ◇ For each local system, use Low Income Children or Children Qualified for Free Lunch/Milk whichever is greater X the following factors:

Local System Formula Students = (Stu) Poverty Students = (Poverty) Poverty Adjustment = (Povadj)

Stu X .05 = a Stu X .10 = b Stu X .15 = c

Stu X .20 = d Stu X .25 = e Stu X .30 = f

- If (Poverty) is less than or equal to a, then (Povadj) = 0
- If (Poverty) is greater than a, and (Poverty) is less than or equal to b, then ((Poverty) - a) X .05 = (Povadj)
- If (Poverty) is greater than b, and (Poverty) is less than or equal to c, then (b-a) X .05 + ((Poverty) - b) X .10 = (Povadj)
- If (Poverty) is greater than c, and (Poverty) is less than or equal to d, then (b-a) X .05 + (c-b) X .10 + ((Poverty) - c) X .15 = (Povadj)
- If (Poverty) is greater than d, and (Poverty) is less than or equal to e, then (b-a) X .05 + (c-b) X .10 + (d-c) X .15 + ((Poverty) - d) X .20 = (Povadj)
- If (Poverty) is greater than e, and (Poverty) is less than or equal to f, then (b-a) X .05 + (c-b) X .10 + (d-c) X .15 + (e-d) X .20 + ((Poverty) - e) X .25 = (Povadj)
- If (Poverty) is greater than f, then (b-a) X .05 + (c-b) X .10 + (d-c) X .15 + (e-d) X .20 + (f-e) X .25 + ((Poverty) - f X .30) = (Povadj)

- Extreme Remoteness Factor

If a Local System has:

- 1) Less than 200 Formula Students.
- 2) More than 600 Miles in the Local System.
- 3) Less than .3 formula students per square mile in the Local System.
- 4) More than 25 miles between high school attendance centers.

Then the Extreme Remoteness Factor =

.125 X Formula Students in the Local System

End Result for each local system:

**Weighted Formula Students + Indian Adjustment + LEP Adjustment + Poverty Adjustment + Extreme Remoteness Factor =
Adjusted Weighted Formula Students**

COST GROUPING COST PER STUDENT

Using data from the Annual Statistical Summary Reports, School District Membership Reports, and the School District Census for the most recently available complete data year, the local systems are divided into three cost groupings: Standard, Sparse, and Very Sparse.

DATA SOURCES:

- ✓ 2001 Census Report for children 5 to 18 years of age
- ✓ County Square Miles from the 2002-03 State Aid Supplement
- ✓ System Square Miles from the 2002-03 State Aid Supplement
- ✓ Formula Students from the 2002-03 School District Membership
- ✓ High School Distance from the 2002-03 State Aid Supplement

- Very Sparse:
- 1) Less than .5 census students per square mile in the county where the high school is located.
 - 2) Less than 1 formula student per square mile in the local system.
 - 3) More than 15 miles between high school attendance centers.
OR
 - 1) More than 450 square miles in the local system.
 - 2) Less than .5 formula students per square mile in the local system.
 - 3) More than 15 miles between high school attendance centers.
- Sparse:
- 1) Less than 2 census students per square mile in the county in which each high school is located.
 - 2) Less than 1 formula student per square mile in the local system.
 - 3) More than 10 miles between each high school attendance center.
OR
 - 1) Less than 1.5 formula students per square mile in the local system.
 - 2) More than 15 miles between each high school attendance center.
OR
 - 1) Less than 1.5 formula students per square mile in the local system.
 - 2) More than 275 square miles in the local system.
OR
 - 1) Less than 2 formula students per square mile in the local system.
 - 2) The local system includes an area equal to 95% or more of the square miles in the largest county in which a high school attendance center is located.
- Standard: Local systems that do not qualify for the Very Sparse or Sparse Cost Grouping will be in the Standard Cost Grouping.

AVERAGE FORMULA COST PER STUDENT IN EACH COST GROUPING

Derived by dividing the total estimated General Fund Operating Expenditures (GFOE) for the cost grouping by the Total Adjusted Weighted Formula Students for all local systems in the cost grouping.

NOTE: For local systems qualifying for the extreme remoteness factor, the total adjusted weighted formula students will not include the extreme remoteness factor when determining the cost grouping cost per student.

CALCULATION OF COST GROUPING COST PER STUDENT FOR THE 2003-04 STATE AID RECERTIFICATION

$$\text{VERY SPARSE COST GROWTH FACTOR [1.035]} = \frac{(\text{Very Sparse Cost Group Adjfoe [47,707,730.72]})}{X} \times 1 + \frac{(2 \times (\text{Very Sparse Cost Group Formula Students [5,496.84]} - \text{Very Sparse Cost Group 2001-02 ADM} + \text{Tuitioned Students [5,725.86]}))}{\text{Very Sparse Cost Group 2001-02 ADM} + \text{Tuitioned Students [5,725.86]}} + .035$$

$$\text{SPARSE COST GROWTH FACTOR [1.035]} = \frac{(\text{Sparse Cost Group Adjfoe [140,890,647.59]})}{X} \times 1 + \frac{(2 \times (\text{Sparse Cost Group Formula Students [19,020.62]} - \text{Sparse Cost Group 2001-02 ADM} + \text{Tuitioned Students [19,571.86]}))}{\text{Sparse Cost Group 2001-02 ADM} + \text{Tuitioned Students [19,571.86]}} + .035$$

$$\text{STANDARD COST GROWTH FACTOR [1.038575]} = \frac{(\text{Standard Cost Group Adjfoe [1,524,063,115.04]})}{X} \times 1 + \frac{(2 \times (\text{Standard Cost Group Formula Students [253,576.67]} - \text{Standard Cost Group 2001-02 ADM} + \text{Tuitioned Students [253,124.27]}))}{\text{Standard Cost Group 2001-02 ADM} + \text{Tuitioned Students [253,124.27]}} + .035$$

Each cost grouping growth factor is equal to the sum of: {a} 1 + {b} 2 X the ratio of the difference between the formula students and the sum of 2001-02 ADM plus tuitioned students, divided by the sum of 2001-02 ADM plus tuitioned students + {c} 2003-04 Basic Allowable Growth Rate (0%) + {d} 2002-03 Basic Allowable Growth Rate (2.5%) + {e} one-half of 1% additional growth rate allowed by special action of school boards in 2003-04 + {f} one-half of 1% additional growth rate allowed by special action of school boards in 2002-03. **Some numbers are rounded for presentation.** Note the ratio of formula students to Average Daily Membership plus tuitioned students cannot be less than zero.

► TOTAL ESTIMATED GENERAL FUND OPERATING EXPENDITURES

VERY SPARSE ESTIMATED GFOE [49,377,501.30] = Very Sparse Cost Group Adjfoe [47,707,730.72] X Very Sparse Cost Growth Factor [1.035]

SPARSE ESTIMATED GFOE [145,821,820.25] = Sparse Cost Group Adjfoe [140,890,647.59] X Sparse Cost Growth Factor [1.035]

STANDARD ESTIMATED GFOE [1,582,853,166.49] = Standard Cost Group Adjfoe [1,524,063,115.04] X Standard Cost Growth Factor [1.038575]

► AVERAGE FORMULA COST PER STUDENT IN EACH COST GROUPING

VERY SPARSE AVERAGE FORMULA COST PER STUDENT [7,488.70] = $\frac{\text{Very Sparse Cost Group Total Estimated GFOE [49,377,501.30]}}{\text{Very Sparse Total Adjusted Weighted Formula Students [6,593.60, excluding extreme remoteness factor]}}$

SPARSE AVERAGE FORMULA COST PER STUDENT [6,357.30] = $\frac{\text{Sparse Cost Group Total Estimated GFOE [145,821,820.25]}}{\text{Sparse Total Adjusted Weighted Formula Students [22,937.70]}}$

STANDARD AVERAGE FORMULA COST PER STUDENT [5,256.60] = $\frac{\text{Standard Cost Group Total Estimated GFOE [1,582,853,166.48]}}{\text{Standard Total Adjusted Weighted Formula Students [301,117.17]}}$

GENERAL FUND OPERATING EXPENDITURES

Each district's General Fund Operating Expenditures for the most recently available complete data year.

Calculated from the 2001-02 Annual Financial Report (AFR) as follows:

Total General Fund Expenditures	1-2-20400-000
Minus	
Tuition Paid	1-2-1100-364 & 365, 1-2-1200-360 & 370
Summer School.....	1-2-6000-000
Adult Education.....	1-2-7000-000
Transfers from Other Funds.....	1-1-5500-000
Community Services	1-2-3000-000
Redemption of General Fund Debt Service Principal.....	1-2-5000-605 & 610
Transportation Paid to Other Districts	1-2-2750-333 & 1-2-2760-333
State Categorical Programs	1-2-3500-000
Retirement Incentive Plan	1-2-2200-281
Staff Development Assistance	1-2-2200-282

ADJUSTED GENERAL FUND OPERATING EXPENDITURES

Each local system's General Fund Operating Expenditures minus the transportation allowance (as calculated) and minus the Special Receipts Allowance.

COST GROWTH FACTOR

The Cost Growth Factor for each cost grouping is equal to the sum of: {a} 1; plus {b} the product of 2 X the ratio of the difference between the formula students attributable to the cost grouping without weighting or adjustment, and the sum of average daily membership plus tuitioned students attributable to the cost grouping for the most recently available complete data year divided by the sum of average daily membership plus tuitioned students attributable to the cost grouping for the most recently available complete data year; plus {c} the basic allowable growth rate for the school fiscal year when the Aid is to be distributed; plus {d} the basic allowable growth rate for the school fiscal year immediately preceding the school fiscal year when the Aid is to be distributed; plus {e} one-half of any additional growth rate allowed by special action of school boards for the school fiscal year when Aid is to be distributed; plus {f} one-half of any additional growth rate allowed by special action of the school boards for the school fiscal year immediately preceding the school fiscal year when the Aid is to be distributed.

DATA SOURCES:

- ✓ Fall Membership in grades KDG; FDK-6; 7-8; and 9-12 from the 2002-03 School District Membership Report.
- ✓ The Fall Membership is adjusted based on the historical ratio of Average Daily Membership (ADM) to Membership using the ratios from 1999-00, 2000-01 and 2001-02.
- ✓ Tuitioned Students in grades KDG; FDK-6; 7-8; and 9-12 are taken from the 2002-03 State Aid Supplement to the School District Membership Report, Section D.

- √ Average Daily Membership reported on the 2001-02 Annual Statistical Summary Report.
- √ 2003-04 Basic Allowable Growth Rate.
- √ 2002-03 Basic Allowable Growth Rate.

The Formula Students and Average Daily Membership of Class I districts that are affiliated with multiple high school districts are divided between local systems based on the percentage of the Class I district's adjusted valuation affiliated with each high school district.

For the final calculation of State Aid, general fund operating expenditures shall be as reported in the 2001-02 Annual Financial Report.

ESTIMATED GENERAL FUND OPERATING EXPENDITURES FOR THE COST GROUPING

Derived by multiplying the Total Adjusted General Fund Operating Expenditures for each cost grouping by a cost growth factor.

TRANSPORTATION ALLOWANCE

Determined for each local system. The lesser of actual specific transportation costs or a calculated amount based on the miles transported (excluding activities) plus in-lieu-of transportation for the most recently available complete data year.

DATA SOURCES:

- √ District specific transportation expenditures reported on the 2001-02 Annual Financial Report: Total Regular Pupil Transportation Minus Transportation Paid to Another District (1-2-2750-000 minus 1-2-2750-333).
- Or- √ District specific calculated transportation expenditures based on: Route miles reported on the 2001-02 Annual Statistical Summary Report (Section C, Item 9) x .365 x 400% + In-Lieu-of Transportation (1-2-2750-332) reported on the 2001-02 Annual Financial Report.

The transportation expenditures and route miles of Class I districts that are affiliated with multiple high school districts is divided between local systems based on the percentage of the Class I district's adjusted valuation affiliated with each high school district.

SPECIAL RECEIPTS ALLOWANCE

Determined separately for each district.

DATA SOURCES:

- √ Special Receipts Allowance includes district specific special education, state ward, and accelerated or differentiated curriculum program receipts included in local system formula resources reported on the 2001-02 Annual Financial Report (1-1-1230-000, 1-1-1240-000, 1-1-1330-000, 1-1-1340-000, 1-1-3120-000, 1-1-3125-000, 1-1-3135-000, 1-1-3160-000, & 1-1-3161-000) and receipts from the Medicare Catastrophic Coverage Act of 1988 - to the extent the district would have received payment pursuant to the Special Education Act (taken from NDE records) for 2001-02.

TEMPORARY AID ADJUSTMENT FACTOR

Derived by multiplying Local System Formula Need by 1.25%.

LOCAL SYSTEM FORMULA NEED

Derived by adding the local system's transportation allowance + the local system's special receipts allowance + (local system's adjusted weighted formula students X the average formula cost per student in the local system's cost grouping).

Note that for local systems qualifying for the extreme remoteness factor, the total adjusted weighted formula students must be greater than or equal to 150.

For school fiscal years 2002-03, 2003-04, and 2004-05, Local System Formula need is equal to each Local System's:

(Transportation Allowance + Special Receipts Allowance + (Adjusted Weighted Formula Students X Cost Group Cost)) – Temporary Aid Adjustment Factor

RESOURCES

The sum of the Yield from Local Effort Rate + Net Option Funding + Allocated Income Tax Funds + Minimum Levy Adjustment + Other Receipts actually received by the system.

YIELD FROM LOCAL EFFORT RATE

Adjusted Valuation divided by 100 multiplied by the Local Effort Rate of \$0.95. Each district's adjusted valuation for tax year 2002 is provided by the Property Tax Administrator (certified October 10, 2002).

The adjusted valuation of Class I districts that are affiliated with multiple high school districts are divided between local systems based on the percentage of the Class I district's adjusted valuation affiliated with each high school district.

LOCAL EFFORT RATE

Set at \$.10 below the maximum levy per §77-3442.

NET OPTION FUNDING

Net Enrollment Option students (students opting in minus students opting out) at each grade range (multiplied by the weighting factor for each grade range) as of the day of the fall membership count multiplied by the statewide average cost grouping cost per student (5,377.47).

DATA SOURCES:

√ 2002-03 State Aid Supplement to the School District Membership Report

Net option payments go directly to the option school district, but count as a formula resource for the local system.

The net option funding of Class I districts that are affiliated with multiple high school districts is divided between local systems to count as a formula resource based on the percentage of the Class I district's adjusted valuation affiliated with each high school district.

For school fiscal years 2002-03, 2003-04, and 2004-05, Net Option Funding is equal to each Local System's:
(Weighted Net Enrollment Option Students X Statewide Average Cost Group Cost) – Temporary Aid Adjustment Factor

Except that a Local System's Net Option Funding cannot be less than zero.

ALLOCATED INCOME TAX FUNDS

A percent calculated annually of the net Nebraska income tax liability of each school district's resident individuals in tax year 2001 provided by the Department of Revenue (certified November 15, 2002). The percentage is calculated annually based on the 1992-93 appropriation to the School District Income Tax Fund, the Net Option Funding, and the statewide income tax liability of resident individuals.

The allocated income tax funds of Class I districts that are affiliated with multiple high school districts are divided between local systems based on the percentage of the Class I district's adjusted valuation affiliated with each high school district.

For School fiscal years 2002-03, 2003-04, and 2004-05, Allocated Income Tax is equal to each Local System's:
Preliminary Allocated Income Tax – (Temporary Aid Adjustment Factor – Net Option Funding)

Except that a Local System's Allocated Income Tax Funds cannot be less than zero.

Note that if a Local System has Net Option Funding greater than the Temporary Aid Adjustment Factor, Allocated Income Tax Funds are not further reduced by this calculation.

MINIMUM LEVY ADJUSTMENT

The minimum levy adjustment is calculated and applied to any system that has a General Fund Common levy that is less than \$0.90. The adjustment is calculated by subtracting the system levy from \$0.90, and multiplying the result by the adjusted valuation divided by 100.

The minimum levy adjustment is added to the formula resources for the determination of Equalization Aid. If the minimum levy adjustment is greater than or equal to the allocated income tax funds, the system shall not receive allocated income tax funds.

DATA SOURCES:

- √ 2002 General Fund Common Levy (2002-03 State Aid Supplement to the School District Membership Report)
- √ 2002 Adjusted Valuation (certified October 10, 2002).

OTHER RECEIPTS ACTUALLY RECEIVED BY THE DISTRICT

Each Local System's other actual receipts for the most recently available complete data year.

Other Actual Receipts are taken from the 2001-02 Annual Financial Report as follows:

Public Power District Sales Tax.....	1-1-1120-000
Fines and License Fees.....	1-1-1610-000, 1-1-1620-000 & 1-1-2110-000
Tuition Receipts.....	1-1-1210-000, 1-1-1220-000, 1-1-1230-000 & 1-1-1240-000
Transportation Receipts.....	1-1-1310-000, 1-1-1320-000, 1-1-1330-000 & 1-1-1340-000
Interest.....	1-1-1410-000
Other Miscellaneous Local/County Receipts.....	1-1-1115-000, 1-1-1910-000, 1-1-1990-000, 1-1-2130-000 & 1-1-2210-000
Special Education School Age.....	1-1-3120-000 & 1-1-3125-000
Payments for Wards of the State/Wards of the Court.....	1-1-3160-000 & 1-1-3161-000
Receipts from the Temporary School Fund for State Apportionment and Property leased for a Public Purpose.....	1-1-3200-000 & 1-1-3300-000
Motor Vehicle Receipts Received on or After January 1, 1998.....	1-1-1125-000
Pro-Rate Motor Vehicle.....	1-1-3180-000
Other State Receipts.....	1-1-3990-000
Federal Impact Aid included to the extent allowed by Federal Law.....	(taken from federal source documents)
Other Non-Categorical Federal Receipts.....	1-1-4620-000, 1-1-4640-000 & 1-1-4690-000
Enrollment Option Transportation.....	1-1-3145-000
Receipts from Medicare Catastrophic Coverage Act of 1988-to the extent the district would have received payment pursuant to the Special Education Act.....	(taken from NDE records)
Receipts for Accelerated or Differentiated Curriculum Programs.....	1-1-3135-000

For the final calculation of State Aid, other actual receipts shall be as reported in the 2001-02 Annual Financial Report.

The other actual receipts of Class I districts that are affiliated with multiple high school districts are divided between local systems based on the percentage of the Class I district's adjusted valuation affiliated with each high school district.

LOP OFF CALCULATION

No local system may receive Equalization Aid such that, when total Aid is added to a levy of $\$0.95 \times 2002 \text{ Adjusted Valuation}/100$, would result in total local system revenue which exceeds the total of:

- a) The sum of State Aid, receipts from other school districts related to annexation, and property tax receipts received by the local system during the preceding school fiscal year multiplied by the total of (1) 1.01 plus (2) the applicable allowable growth rate for the system plus (3) the percentage growth in formula students from the certification of State Aid for the immediately preceding school fiscal year to the formula students for the certification of State Aid for the current school year, except that the percentage growth shall not be less than zero;
- b) Unused budget authority;
- c) The difference between the other actual receipts included in local system formula resources for the certification of State Aid in the preceding school fiscal year and other actual receipts included in local system formula resources for the certification of State Aid for the current school fiscal year, except that such difference shall not be less than zero; and
- d) The absolute value of any negative prior year adjustment.

DATA SOURCES:

- ✓ 2002 Adjusted Valuation (certified October 10, 2002)
- ✓ 2002-03 State Aid (re-certified May 1, 2002)
- ✓ 2002 General Fund Common Levy (2002-03 State Aid Supplement to the School District Membership Report)
- ✓ 2002 Assessed Valuation (2002-03 State Aid Supplement to the School District Membership Report)
- ✓ 2002-03 Applicable Allowable Growth Rate
- ✓ 2002-03 Unused Budget Authority from the LC-2 lid computation form
- ✓ 2000-01 and 2001-02 Annual Financial Reports

SMALL SCHOOL STABILIZATION ADJUSTMENT

Distributed to local systems that have 900 or less formula students and have adjusted general fund operating expenditures per formula student less than the average for all local systems with 900 or less formula students. The Aid is distributed proportionately to qualifying systems based on the dollar amount of each local system's calculated State Aid plus the product of a levy of \$1.05 multiplied by the assessed valuation, divided by one hundred is below 88.75% of State Aid received by the local system during the preceding school fiscal year plus property tax receipts.

DATA SOURCES:

- ✓ 2001-02 Annual Financial Report
- ✓ 2002-03 State Aid (re-certified May 1, 2002)
- ✓ 2002 General Fund Common Levy (2002-03 State Aid Supplement to the School District Membership Report)
- ✓ 2002 Assessed Valuation (2002-03 State Aid Supplement to the School District Membership Report)

No local system will receive Aid such that the calculated State Aid plus the product of a levy of \$1.05 multiplied by the assessed valuation is 88.75% or more of State Aid received by the local system during the preceding school fiscal year plus property tax receipts.

STABILIZATION FACTOR

A local system shall not receive State Aid which is less than an amount equal to the difference of 83.75% of the amount of Aid certified in the preceding year minus an amount equal to any increase in the adjusted valuation between the adjusted valuation used for the certification of Aid in the preceding school fiscal year and the adjusted valuation used for the Aid being calculated divided by one hundred multiplied by \$1.05.

DATA SOURCES:

- ✓ 2001 Adjusted Valuation for the Local System (certified October 10, 2001)
- ✓ 2002 Adjusted Valuation for the Local System (certified October 10, 2002)
- ✓ 2002-03 Certified State Aid for Local System

Part II. 2003-04 CONCEPT SUMMARY

2003-04 Calculated State Aid to Nebraska's Public Schools:

Consists of one or a combination of the following items:

- | | |
|-----------------------------------------|-----------------------------------------|
| • Net Option Funding | • "Lop Off" Adjustment |
| • Allocated Income Tax Funds | • Small School Stabilization Adjustment |
| • Equalization Aid | • Stabilization Factor |
| • Incentive for District Reorganization | • Minimum Levy Adjustment |

Nebraska Equalization Aid Formula Concept:

$$\text{Calculated Needs} - \text{Calculated Resources} = \text{State Equalization Aid}$$

LOCAL SYSTEM FORMULA NEED

Determined by:

$$[(\text{Adjusted Weighted Formula Students} \times \text{Cost Grouping Cost per Student}) + \text{Transportation Allowance} + \text{Special Receipts Allowance}] - \text{Temporary Aid Adjustment Factor}$$

→ For Local Systems qualifying for the extreme remoteness factor, the Total Adjusted Weighted Formula Students must be greater than or equal to 150.

FORMULA STUDENTS:

- ☐ Students educated by the district and students for which the district pays tuition.
- ☐ The Fall Membership head count adjusted by the average ratio of ADM to Fall Membership from three prior years for the certification of State Aid; and ADM for the final calculation of State Aid.

WEIGHTED FORMULA STUDENTS:

- ☐ Formula Students in each grade range multiplied by corresponding weighting factors.
- ☐ The weighting factor for KDG is .5, for grades FDK-6 is 1, for grades 7-8 is 1.2, and for grades 9-12 is 1.4.
- ☐ The weighted formula students for Class I districts that are affiliated with multiple high school districts are divided between Local Systems based on the percentage of the Class I district's valuation affiliated with each high school district.

ADJUSTED WEIGHTED FORMULA STUDENTS:

- ☐ Local System Weighted Formula Students + Demographic Factors (Poverty, Limited English Proficiency, Indian ADA, Extreme Remoteness) = Adjusted Weighted Formula Students.

COST GROUPING COST PER STUDENT:

- ☐ Established by Statute.
- ☐ Derived from dividing the total estimated general fund operating expenditures for each cost grouping by the total adjusted weighted formula students for all Local Systems in the cost grouping.
- ☐ The adjustment for the extreme remoteness factor is not included in the calculation for the cost grouping cost per student, but is included in the calculation of Local System formula needs.

TRANSPORTATION ALLOWANCE:

The lesser of:

- ☐ Actual specific transportation costs, or a calculated amount based on the miles transported (excluding activities) plus in lieu of transportation for the most recently available complete data year.
- ☐ The transportation allowance of Class I districts that are affiliated with multiple high school districts is divided between Local Systems based on the percentage of the Class I district's valuation affiliated with each high school district.

SPECIAL RECEIPTS ALLOWANCE:

- ☐ District specific special education receipts reported on the Annual Financial Report, and receipts from the Medicare Catastrophic Coverage Act of 1988, to the extent the district would have received payment pursuant to the Special Education Act (taken from NDE records).
- ☐ Each district's special education receipts for the most recently available complete data year.
- ☐ The special receipts allowance of Class I districts that are affiliated with multiple high school districts is divided between Local Systems based on the percentage of the Class I district's valuation affiliated with each high school district.

TEMPORARY AID ADJUSTMENT FACTOR:

- ☐ Means one and one-fourth percent of the sum of the local system's transportation allowance, the local system's special receipts allowance, and the product of the local system's adjusted formula students multiplied by the average formula cost per student in the local system's cost grouping.

CALCULATED RESOURCES

THE SUM OF:

- ☐ Yield from Local Effort Rate (a calculated measure of Local Property Resources)
- ☐ Net Option Funding
- ☐ Allocated Income Tax Funds
- ☐ Minimum Levy Adjustment
- ☐ Other Receipts Actually Received by the District

YIELD FROM LOCAL EFFORT RATE (LOCAL PROPERTY RESOURCES):

- ☐
$$\frac{\text{Adjusted Property Valuation} \times \text{Local Effort Rate}}{\text{Local Effort Rate (LER) is } \$0.95.}$$

NET OPTION FUNDING:

- ☐ At each grade range the positive net number of Enrollment Option students (students opting in minus students opting out), as of the day of the fall membership count, is multiplied by the corresponding weighting factor. The result is then multiplied by the statewide average cost grouping cost per student.
- ☐ The Net Option Funding of Class I districts that are affiliated with multiple high school districts is divided between Local Systems based on the percentage of the Class I district's valuation affiliated with each high school district.

- Net Option Funding goes directly to the option school district, but counts as a formula resource for the Local System.
- For school fiscal years 2002-03, 2003-04, and 2004-05, Net Option Funding is equal to each Local System's:
(Weighted Net Enrollment Option Students X Statewide Average Cost Group Cost) – Temporary Aid Adjustment Factor
- Except that a Local System's Net Option Funding cannot be less than zero.

ALLOCATED INCOME TAX FUNDS (MEASURE OF LOCAL INCOME):

- A percentage determined annually, based on the 1992-93 appropriation to the School District Income Tax Fund, net option funding, and the statewide income tax liability of resident individuals.
- For School fiscal years 2002-03, 2003-04, and 2004-05, Allocated Income Tax is equal to each Local System's:
Preliminary Allocated Income Tax – (Temporary Aid Adjustment Factor – Net Option Funding)
- Except that a Local System's Allocated Income Tax Funds cannot be less than zero.

NOTE: If a Local System has Net Option Funding greater than the Temporary Aid Adjustment Factor, Allocated Income Tax Funds are not further reduced by this calculation.

MINIMUM LEVY ADJUSTMENT:

- The minimum levy adjustment is calculated and applied to any system that has a General Fund Common Levy that is less than \$0.90. The adjustment is calculated by subtracting the system levy from \$0.90, and multiplying the result by the adjusted valuation/100.

OTHER RECEIPTS ACTUALLY RECEIVED BY THE DISTRICT:

(As Reported on the Annual Financial Report; see page 9 of this document for a complete listing):

- Examples:
 - ✓ Fines and License Fees
 - ✓ Interest
 - ✓ Special Education School Age
 - ✓ Pro-Rate Motor Vehicle

EQUALIZATION AID:

- ☐ Needs - Resources = Equalization Aid
- ☐ Within a Local System
 - The Local System Needs are compared to the Local System Resources to determine Equalization Aid.
 - The resulting Equalization Aid, if any, is paid to the individual districts in the Local System based on weighted formula students.
 - Net Option Funding payments go directly to the option school district, but count as a formula resource for the Local System.
 - Incentive payments are paid directly to the merged, unified, or consolidated district.

ADDITIONAL COMPONENTS OF STATE AID

STABILIZATION FACTOR:

- ☐ Affects Local Systems which have **not** been assessed a Minimum Levy Adjustment.
- ☐ A Local System cannot receive less than 83.75% of the prior year's State Aid less an amount equal to any increase in adjusted valuation/100 and multiplied by \$1.05.

"LOP OFF" CALCULATION:

- ☐ Only affects Local Systems which receive Equalization Aid.
- ☐ Reduction to Equalization Aid.
- ☐ Based on the impact the Equalization Aid, Property Tax Receipts, receipts from other school districts related to annexation, Applicable Allowable Growth Rate, Growth in Formula Students, Unused Budget Authority, Decrease in Other Actual Receipts from the prior year and the Absolute Value of any Negative Prior Year Adjustment would have on the Calculated State Aid plus a levy of \$0.95 multiplied by the Adjusted Valuation/100 for the ensuing year.

SMALL SCHOOL STABILIZATION ADJUSTMENT:

- ☐ Only affects Local Systems that have 900 or less formula students who have adjusted general fund operating expenditures per formula student less than the average for all Local Systems with 900 or less formula students.
- ☐ Distributed to Local Systems whose calculated State Aid plus the product of a levy of \$1.05 multiplied by the assessed valuation/100 is below 88.75% of the State Aid received by the Local System during the preceding school fiscal year plus property tax receipts.

INCENTIVE FOR DISTRICT CONSOLIDATION AND UNIFICATION:

- ☐ Only applies to consolidations and unifications with an effective date after May 31, 1996 and before August 2, 2001.
- ☐ Incentive payments are based on the number of students moving from one cost size range to a lower cost size range based on the average daily membership in each affected district.
- ☐ For consolidated districts, incentive payments are included in the distribution of State Aid for each of the first three consecutive school fiscal years beginning with the base fiscal year.
- ☐ For unified systems, 100% of the amount calculated for incentive payments is included in the distribution of State Aid for the first fiscal year beginning with the base fiscal year, 75% for the second school fiscal year, and 50% for the third school fiscal year.
- ☐ Incentive payments are paid directly to the consolidated district or unified system from the Tax Equity and Educational Opportunities Fund.

2003-04 STATE AID FUNDING:

- ☐ On or before June 15, 2003, the Department must determine the amounts to be distributed to each Local System and each district pursuant to the Tax Equity and Educational Opportunities Support Act based on \$0.95 Local Effort Rate.
- ☐ The amount to be distributed to each district from the amount certified for a Local System is proportional based on the weighted formula students attributed to each district in the Local System.

Part III. QUESTIONS AND ANSWERS RELATED TO THE STATE AID CONCEPT AND THE 2003-04 STATE AID CALCULATION

NEEDS

How are Needs determined?

- ▶ The Needs of a Local System are determined based on:
(Adjusted Weighted Formula Students X Cost Grouping Cost Per Student) + Transportation Allowance + Special Receipts Allowance
→ For Local Systems qualifying for the extreme remoteness factor, the Total Adjusted Weighted Formula Students must be greater than or equal to 150.
- ▶ For school fiscal years 2002-03, 2003-04, and 2004-05, System Formula Needs are reduced by a Temporary Aid Adjustment Factor of 1.25%.

What are Formula Students?

- ▶ Formula Students include students educated by the district and those for which the district is paying tuition.
- ▶ Formula Students are grouped in the following manner: Kindergarten (KDG = programs under 1,032 instructional hours), Full-Day Kindergarten (FDK = programs of 1,032 or more instructional hours) through Grade 6, Grades 7-8, and 9-12.

What source data was used to determine the Formula Students for the 2003-04 State Aid calculation?

- ▶ K-12 Fall Membership from the 2002-03 School District Membership Report (NDE 02-017) adjusted by an ADM to Fall Membership ratio using the average of the ratios from 1999-00, 2000-01 and 2001-02.

+

K-12 Contracted Out Students from Section D of the 2002-03 State Aid Supplement to the School District Membership Report (NDE 02-018).

What are Adjusted Weighted Formula Students?

- ▶ Formula students are weighted by grade level factors.
- ▶ An adjustment is made to weighted formula students for the extreme remoteness factor equal to .125 times the formula students in the Local System for each Local System that has fewer than 200 formula students, more than 600 square miles in the Local System, fewer than .3 formula students per square mile in the Local System and more than 25 miles between the high school attendance center and the next closest high school attendance center on paved roads.
- ▶ Other adjustments made to weighted formula students:
 - ✓ Indian Land Factor (.25 times ADA of Students who reside on Indian Land).
 - ✓ Limited English Proficiency Factor (.25 times Formula Students with Limited English Proficiency).
 - ✓ Poverty Factor (progressive percentages between .05 and .30; multiplied by qualified formula students equal to formula students qualified for free lunches/milk or children under 19 years of age living in a household with adjusted gross income (AGI) less than \$15,000, whichever is greater).

How is the Cost Grouping Cost Per Student determined?

- ▶ Local Systems are divided into three cost groupings:
 - Very Sparse
 - Sparse
 - Standard
- ▶ The Total Estimated General Fund Operating Expenditures for each cost grouping is determined by multiplying the Total Adjusted General Fund Operating Expenditures by a cost growth factor reflecting increased expenditures.
- ▶ The Cost Grouping Cost Per Student is determined by dividing the Total Estimated General Fund Operating Expenditures by the Total Adjusted Weighted Formula Students for all Local Systems in the cost grouping.
 - The adjustment for the extreme remoteness factor is not included in the calculation of the cost grouping cost per student, but is included in the calculation of Local System formula needs.

How is the Transportation Allowance determined?

- ▶ The transportation allowance is the lesser of:
 - The actual transportation expenditures from the most recently available complete data year.
 - Regular route miles traveled multiplied by 400% of the mileage rate established by the Department of Administrative Services (DAS) as of January 1 of the most recently available complete data year (.365) plus in lieu of transportation.

How is the Special Receipts Allowance determined?

- ▶ Special Receipts are from the most recently available complete data year.
Special Receipts Include:
 - ✓ State Receipts for School Age Special Education
 - ✓ State Receipts for School-Age Special Education Transportation
 - ✓ Payments for Wards of the State/Wards of the Court
 - ✓ Receipts for Accelerated or Differentiated Curriculum Programs
 - ✓ Special Education Tuition Received from other Districts
 - ✓ Special Education Tuition Received from Individuals
 - ✓ Special Education Transportation Receipts from other Districts
 - ✓ Special Education Transportation Receipts from Individuals
 - ✓ Receipts from Medicare Catastrophic Coverage Act of 1988 to the extent the district would have received payment pursuant to the Special Education Act.

RESOURCES

How are Resources determined?

- ▶ Resources = Yield from Local Effort Rate + Net Option Funding + Allocated Income Tax Funds + Other Actual Receipts + Minimum Levy Adjustment

How is the Yield from Local Effort Rate determined?

- ▶ Yield from Local Effort Rate = Adjusted Valuation/100 X Local Effort Rate of \$0.95.
- ▶ The Local Effort Rate is determined by statute as part of the State Aid calculation process.
- ▶ The statewide Needs for all Local Systems as determined above can be funded from five sources:

1) Net Option Funding	4) Yield from Local Effort Rate
2) Allocated Income Tax Funds	5) Equalization Aid (provided through the calculation process)
3) Other Actual Receipts	

What source data was used to determine the Adjusted Valuation for the 2003-04 State Aid Calculation?

- ▶ For 2003-04 State Aid, the adjusted valuation reflects 2002 levels. The Property Tax Administrator adjusts the values to assure that for State Aid purposes:
 - real property other than agricultural land is at 100% of market value;
 - agricultural land is at 80% of market value as provided by statute; and
 - personal property other than motor vehicles is at net book value as defined by statute.
- ▶ The State Aid appropriation is the “balancing factor” in funding the statewide Needs. All of the Needs that are not funded by items 1 through 4 must be funded by the State Aid appropriation.
- ▶ As statewide Needs increase, unless the amount provided from items 1 through 4 increase, the State Aid appropriation must increase. Within the Yield from Local Effort Rate calculation, once the Adjusted Valuation is provided by the Property Tax Administrator, it is a known amount. The Local Effort Rate applied against the Adjusted Valuation, is the component which cannot vary to produce a Yield from Local Effort Rate amount.

How is the Net Option Funding determined?

- ▶ For each district, the students opting out are subtracted from the students opting in at each grade level (KDG, FDK-6; 7-8, and 9-12). The positive net number of students are then multiplied by the weighting factor for the corresponding grade range; the result is then multiplied by the statewide average cost grouping cost per student.
 - It is possible for the result at a given grade range to be negative since there may be more students opting out than opting in. However, the total for the district cannot be less than zero.
- ▶ The Net Option Funding payments go directly to the option school district but count as a formula resource for the Local System.
 - Since option students are included in the ADM counts of students used to determine a Local System’s Needs, the inclusion of the amount as a Resource prevents a Local System which generates Equalization Aid from receiving both Equalization Aid and Net Option Funding based on the impact the students have on Needs.
- ▶ The funding for Net Option reduces the total amount available for distribution as Allocated Income Tax Funds (discussed below).
- ▶ For school years 2002-03, 2003-04, and 2004-05, Net Option Funding is equal to each Local System’s:
 - $(\text{Weighted Net Enrollment Option Students} \times \text{Statewide Average Cost Group Cost}) - \text{Temporary Aid Adjustment Factor}$
 - Except that a Local System’s Net Option Funding cannot be less than zero.

What source data was used to determine Net Option Funding?

- ▶ The 2002-03 net enrollment option students, as reported to the Department of Education on the 2002-03 State Aid Supplement to the School District Membership Report, was used to determine the net number of students.

How are the Allocated Income Tax Funds determined?

- ▶ The Allocated Income Tax Funds provide a mechanism through which the income tax base of the local system is included in the Resources of the Local System. Therefore, the distribution of Equalization Aid responds to the income tax base as well as the potential property tax base of the Local System.
- ▶ A varying percentage of the Nebraska income tax liability of residents of the Local System is provided to the Local System as Allocated Income Tax Funds. The income tax liability information is provided by the Department of Revenue based on data submitted on Nebraska income tax forms. (The Nebraska Income Tax Form requests each filer to indicate the high school district in which they reside.) The percentage is based on the 1992-93 appropriation to the School District Income Tax Fund, net option funding, and the statewide income tax liability of resident individuals.
- ▶ The 2003-04 State Aid calculation incorporates Allocated Income Tax Funds based on the 2001 Income Tax year.
- ▶ For School fiscal years 2002-03, 2003-04, and 2004-05, Allocated Income Tax is equal to each Local System's:
 - Preliminary Allocated Income Tax – (Temporary Aid Adjustment Factor – Net Option Funding)
 - Except that a Local System's Allocated Income Tax Funds cannot be less than zero.

NOTE: If a Local System has Net Option Funding greater than the Temporary Aid Adjustment Factor, Allocated Income Tax Funds are not further reduced by this calculation.

What are Other Actual Receipts?

- ▶ Other Actual Receipts are calculated using information reported on the Annual Financial Report for the most recently available complete data year.

How are Other Actual Receipts determined?

- ▶ Other Actual Receipts are taken primarily from the Annual Financial Report submitted by the each district. Receipt information related to the Medicare Catastrophic Coverage Act of 1988 and Impact Aid, if applicable, are taken from other source documents on file with the Department of Education. Other Actual Receipts include various local, state, and noncategorical federal receipts.

What is Equalization Aid?

- ▶ The amount that the total formula needs exceed total formula resources:
 - A Local System will not receive State Aid that is less than 83.75% of the amount of Aid certified in the preceding school fiscal year, less the amount that the maximum levy could generate off of any increase in adjusted valuation.

ADDITIONAL COMPONENTS OF STATE AID

What is the “Lop Off” Adjustment?

- ▶ The amount of revenue from State Aid, receipts from other school districts related to annexation, and potential property taxes calculated based on adjusted valuation/100 and a levy of \$0.95 is limited to:
 - State Aid plus property tax receipts calculated by applying the actual general fund levy to the assessed valuation/100 for the preceding year multiplied by:
 - one percent for the optional growth rate; plus
 - the applicable allowable growth rate
 - the percentage growth in formula students (not less than 0);
 - Plus unused budget authority;
 - Plus any decreases in other actual receipts (not less than 0);
 - Plus the absolute value of any negative prior year adjustment.

What is the Small School Stabilization Adjustment?

- ▶ Local Systems with 900 or less formula students, adjusted general fund operating expenditures per formula student less than the average for all Local Systems with 900 or less formula students, and losses greater than 11.25% based on State Aid and property tax receipts, qualify for the Small School Stabilization Adjustment.
- ▶ The “Lop Off” Adjustment Aid is distributed proportionately to qualifying systems based on the dollar amount each Local System’s calculated State Aid plus the product of a levy of \$1.05 multiplied by the assessed valuation/100 is below 88.75% of State Aid plus property tax receipts received by the Local System during the preceding year.
- ▶ Funding through this mechanism is limited to raising Local Systems to the 88.75% level.

What is the Minimum Levy Adjustment?

- ▶ Any Local System that has a general fund common levy that is less than 90% of the maximum levy:
 - The adjustment is calculated by subtracting the system levy from \$0.90, and multiplying the result by the adjusted valuation/100.
 - The Minimum Levy Adjustment is added to the formula resources for the determination of equalization aid. For non-equalized Local Systems, if the Minimum Levy Adjustment is greater than or equal to the allocated income tax funds, the System does not receive allocated income tax funds.

CORRECTIONS FOR THE PRIOR YEAR'S STATE AID CALCULATION

In addition to the items that make up a Local System's calculated State Aid for a given year, each year's actual State Aid payments may include adjustments to the prior year's State Aid calculations in accordance with statutory provisions. The corrections to the 2003-04 payments primarily reflect the recalculation of 2002-03 State Aid based on the incorporation of 2001-02 ADM data in place of 2001-02 fall membership and allowing the local effort rate to "float" during the recalculation process.